

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-10 NEA-10 IO-10 ISO-00

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SS-15 INRE-00 AID-05 CEA-01 CIAE-00 COME-00 FRB-01

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O R 131729Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2824

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BUJUMBURA

AMEMBASSY BOGOTA

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UNCLAS SECTION 01 OF 04 LONDON 10709

E.O. 11652: N/A

TAGS: ETRD,EAGR, OCON

SUBJECT: COFFEE NEGOTIATIONS: REPORT OF THE CONTACT
GROUP

SUMMARY/INTRODUCTION: THE WORKING GROUP ON THE
NEGOTIATION OF A NEW AGREEMENT AT ITS MEETING ON
WEDNESDAY 9 JULY 1975 ESTABLISHED A CONTACT GROUP TO
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EXAMINE THE ESSENTIAL ELEMENTS TO BE INCLUDED IN A NEW
AGREEMENT AND TO MAKE APPROPRIATE PROPOSALS.

THE FOLLOWING MEMBERS OF THE CONTACT GROUP WERE
APPOINTED BY THE GROUPS OF PRODUCERS AND CONSUMERS
RESPECTIVELY: PRODUCERS: RAFFAELLI (BRAZIL);
GOMEZ JARAMILLO (COLOMBIA); SAWADOGO (OAMCAF); THE
GROUP OF OTHER MILDS WAS INVITED TO APPOINT A REPRESENTA-

TIVE TO PARTICIPATE IN THE CONTACT GROUP BUT DID NOT DO
SO. CONSUMERS: GALLOT (FRANCE; DAFGARD WEDEN);
MADDEN (UNITED KINGDOM); INGERSOLL (U.S.).

FOLLOWING IS THE TEXT OF THE CONTACT GROUP'S REPORT,
SUBMITTED TO THE FINAL SESSION OF THE COFFEE COUNCIL
JULY 13.

QUOTE

1. FLEXIBLE SYSTEM FOR THE DISTRIBUTION OF ANNUAL AND
QUARTERLY QUOTAS

(A) ANNUAL AND QUARTERLY QUOTAS SHOULD BE DISTRI-
BUTED AMONG EXPORTING MEMBERS IN FIXED AND VARIABLE PARTS.
THE FIXED PART SHOULD BE DISTRIBUTED PRO RATA TO THE
BASIC QUOTA OF THE EXPORTING MEMBER. THE VARIABLE PART
SHOULD BE DISTRIBUTED TAKING INTO ACCOUNT THE VOLUME OF
VERIFIED STOCKS HELD BY THE MEMBER.

(B) THE SYSTEM OF DIVIDING QUOTAS INTO FIXED AND
VARIABLE PARTS SHOULD OPERATE WITH EFFECT FROM THE
ENTRY INTO FORCE OF THE AGREEMENT (1 OCTOBER 1976). IN
THE FIRST YEAR OF THE AGREEMENT, THE FIXED PART SHOULD
ACCOUNT FOR 80 PERCENT OF THE ANNUAL QUOTA AND THE
VARIABLE PART 20 PERCENT. IN THE SECOND YEAR OF A NEW
AGREEMENT, NAMELY COFFEE YEAR 1977/78, THE PERCENTAGES
SHOULD BE 70 AND 30 RESPECTIVELY. IN THE THIRD AND
SUBSEQUENT YEARS OF THE LIFE OF THE AGREEMENT THE
PERCENTAGES OF 70 AND 30 RESPECTIVELY WOULD APPLY UNLESS
THE COUNCIL WERE TO DECIDE OTHERWISE. HOWEVER, THE
VARIABLE PART SHOULD NOT EXCEED 30 PERCENT.

(C) SPECIAL TREATMENT WILL BE GIVEN TO EXPORTING
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MEMBERS, THE ANNUAL EXPORTS OF WHICH ARE LESS THAN
400,000 BAGS.

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O R 131729Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2825

INFO AMEMBASSY CANBERRA

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PENDING MATTERS

(I) IT WAS RECOGNISED THAT IT WOULD BE
NECESSARY CLEARLY TO DEFINE THE "STOCKS" WHICH WOULD BE
ELIGIBLE FOR USE IN THE SYSTEM OF FIXED AND VARIABLE
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QUOTAS.

(II) IT WAS NOTED BY ONE IMPORTING MEMBER
THAT IF THE VARIABLE PART OF THE QUOTA WERE TO BE
CALCULATED ON THE BASIS OF THE VOLUME OF STOCKS HELD
THIS MIGHT ENCOURAGE CERTAIN EXPORTING MEMBERS TO
WITHHOLD COFFEE FROM EXPORT PRIOR TO VERIFICATION IN
ORDER TO INCREASE THE VOLUME OF ITS STOCKS. THIS COULD
RESULT IN AN UNEVEN SUPPLY OF COFFEE TO THE MARKET.

(III) IT WAS NOTED THAT IT WOULD BE NECESSARY
TO EXAMINE WHETHER THERE MIGHT BE LEGAL OR PRACTICAL

DIFFICULTIES IN VERIFYING STOCKS PRIOR TO THE ENTRY INTO
FORCE OF THE NEW AGREEMENT.

(IV) THE NATURE OF THE SPECIAL TREATMENT
REFERRED TO IN PARAGRAPH (C) ABOVE REMAINS TO BE
CONSIDERED.

(V) THE QUESTION WAS ALSO RAISED WHETHER THE
SHARE OF AN EXPORTING MEMBER IN THE VARIABLE QUOTA
SHOULD BE CALCULATED IN RELATION TO ITS TOTAL STOCKS
OF COFFEE OR WHETHER, FOR THE PURPOSE OF MAKING SUCH
CALCULATIONS, THERE SHOULD BE SOME LIMIT ON THE VOLUME
OF STOCKS IN ANY EXPORTING MEMBER COUNTRY WHICH COULD
BE TAKEN INTO ACCOUNT.

(VI) THE QUESTION OF THE POSSIBILITY OF
CALCULATING THE VARIABLE PART OF THE ANNUAL QUOTA BY
REFERENCE TO EXPORT PERFORMANCE OVER AN AGREED PERIOD
WAS NOT DISCUSSED.

2. AUTOMATIC QUOTA ADJUSTMENTS

(A) THE AGREEMENT MUST PROVIDE CLEAR AUTHORITY
FOR THE COUNCIL TO ESTABLISH AN AUTOMATIC SYSTEM FOR
ADJUSTMENT OF QUOTAS IN RESPONSE TO PRICE MOVEMENTS.

(B) THE AGREEMENT WILL EMPOWER THE COUNCIL TO
ESTABLISH ARRANGEMENTS FOR DETERMINING FOR DIFFERENT
TYPES OF COFFEE INDICATOR PRICES WHICH MEASURE THE
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DIRECTION, SPEED AND AMPLITUDE OF CHANGES IN THE TRUE
PRICES AT WHICH THE VARIOUS TYPES OF COFFEE ARE TRADED.

(C) THE AGREEMENT WILL EMPOWER THE COUNCIL TO
EFFECT PRO RATA ADJUSTMENTS IN RESPONSE TO MOVEMENTS
OF A COMPOSITE INDICATOR PRICE.

(D) THE AGREEMENT WILL EMPOWER THE COUNCIL TO
PROVIDE FOR SELECTIVE (ADJUSTMENTS) (INCREASES) IN
RESPONSE TO MOVEMENTS OF THE INDICATOR PRICES FOR THE
DIFFERENT TYPES OF COFFEE.

3. ASSURANCE OF SUPPLY

SHORTFALLS

(A) THE COUNCIL MAY MAKE RULES FOR DEFINING AND
ESTABLISHING THE VOLUME OF SHORTFALLS AGAINST QUOTA
ENTITLEMENTS ATTRIBUTABLE TO EACH EXPORTING MEMBER AND

FOR THE REDISTRIBUTION OF SUCH SHORTFALLS AMONG THOSE EXPORTING MEMBERS WHICH HAVE DEMONSTRATED THAT THEY HAVE COFFEE ADDITIONAL TO THEIR ENTITLEMENTS AVAILABLE FOR EXPORT. SHORTFALLS SHOULD BE REDISTRIBUTED AS FAR AS POSSIBLE AMONG MEMBERS PRODUCING THE SAME TYPE OF COFFEE. HOWEVER, IF THE QUANTITIES INVOLVED ARE TOO GREAT TO PERMIT OF THIS, REDISTRIBUTION MAY BE EXTENDED TO ALL OTHER GROUPS OF COFFEE.

(B) IF AN EXPORTING MEMBER DECLARES A SHORTFALL, ITS QUOTA ENTITLEMENTS IN SUBSEQUENT YEARS SHALL NOT BE AFFECTED BY SUCH A DECLARATION.

(C) SHORTFALLS OF TRIVIAL AMOUNTS SHALL NOT BE REDISTRIBUTED.

(D) SHORTFALLS WHICH ARE NOT REPORTED WILL LEAD

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INR-07 NSAE-00 CIEP-02 SP-02 STR-04 TRSE-00 LAB-04

SIL-01 SAM-01 OMB-01 /131 W
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O R 131729Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2826

INFO AMEMBASSY CANBERRA

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TO A SUBSEQUENT DECREASE IN QUOTA ENTITLEMENT FOR THE FOLLOWING YEAR OF THE COUNTRY CONCERNED.

UNDERSHIPMENTS

EXPORTING MEMBERS SHOULD GIVE THE FOLLOWING UNDER-
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TAKING: EXPORTING MEMBERS SHALL NOT TAKE OR MAINTAIN ANY GOVERNMENTAL MEASURES WHICH, WHEN THE PRICE IS ABOVE THE MID-POINT OF THE PRICE RANGE, RESTRICTS THE FLOW OF COFFEE TO IMPORTING MEMBERS AT THE PRICES THEN PREVAILING AND WITHIN THE LIMITS OF EACH MEMBER'S EXPORT QUOTA IN FORCE.

INTERNATIONAL GUARANTEE STOCK

(THIS IS A MATTER WHICH IT WAS AGREED SHOULD BE LEFT PENDING FOR FURTHER DISCUSSION.)

SUSPENSION OF QUOTAS AND CONTROLS

(A) IN ORDER TO PREVENT EXCESSIVE PRICE RISES, AND UNLESS THE COUNCIL DECIDES OTHERWISE, QUOTAS SHALL BE SUSPENDED AUTOMATICALLY EITHER:

(I) IN ANY COFFEE YEAR FOR WHICH THE COUNCIL HAS ADOPTED A PRICE RANGE, WHENEVER PRICES REACH A LEVEL 20 PERCENT ABOVE THE MAXIMUM POINT OF THE PRICE RANGE CURRENTLY IN FORCE; OR

(II) IF NO PRICE RANGE HAS BEEN ADOPTED BY THE COUNCIL, WHENEVER PRICES REACH A LEVEL 30 PERCENT ABOVE THE AVERAGE PRICE REGISTERED IN THE FIRST THREE OF THE PREVIOUS SIX CALENDAR MONTHS. THE TERM "PRICES" AS USED IN THIS PARAGRAPH MEANS PRICES MEASURED BY AN INDICATOR PRICE WHICH SHALL BE ESTABLISHED BY THE COUNCIL.

(B) WHEN IN PARAGRAPH (A) ABOVE REFERENCE IS MADE TO PRICES REACHING SPECIFIED LEVELS IT MEANS THAT THE PRICE SHALL REMAIN ON AVERAGE AT OR ABOVE THE PARTICULAR PRICE LEVEL REFERRED TO FOR 20 CONSECUTIVE MARKET DAYS AFTER SUCH LEVEL IS REACHED OR PASSED.

PENDING MATTERS

(I) WHENEVER QUOTAS ARE SUSPENDED UNDER THE
FOREGOING PROVISIONS THE CONTROL SYSTEM SHALL BE
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SUSPENDED AUTOMATICALLY 30 CALENDAR DAYS LATER UNLESS
THE COUNCIL DECIDES OTHERWISE OR PRICES RETURN BELOW
THE LEVELS AT WHICH SUSPENSION OF QUOTAS TOOK PLACE.

(II) IT WAS AGREED THAT IT WOULD BE NECESSARY TO
CONSIDER FURTHER THE MECHANISMS AND PRICE CONDITIONS
UNDER WHICH IT WOULD BE CONSIDERED APPROPRIATE TO
SUSPEND QUOTAS AND CONTROLS.

4. ALLOCATION OF MARKET SHARES

(CONSIDERATION OF THIS MATTER WAS DEFERRED.)

5. PRICES

PRICE LEVELS

REPLACE PARAGRAPHS 2 AND 3 OF ARTICLE 27 IN WORKING
PAPER AGREEMENT NUMBER 75 BY THE FOLLOWING:

(2) MEMBERS UNDERTAKE TO ACHIEVE THESE PURPOSES
BY STRICT OBSERVANCE OF THE OBLIGATIONS OF THE
AGREEMENT AND THE PROVISIONS THEREOF.

(3) MEMBERS FURTHER RECOGNIZE THE NEED FOR
COFFEE PRICES TO BE KEPT AT LEVELS WHICH WILL ASSURE
AN ADEQUATE REMUNERATION TO PRODUCERS AND THE NEED
THAT THE PRICES OF COFFEE TO CONSUMERS DO NOT HAMPER
A DESIRABLE INCREASE IN CONSUMPTION.

THE NEGOTIATION OF A PRICE RANGE OR RANGES FOR
THE ADJUSTMENT OF QUOTAS

INSERT INTO THE ARTICLE WHICH AUTHORISES THE
COUNCIL TO ESTABLISH A SYSTEM FOR THE AUTOMATIC
ADJUSTMENT OF QUOTAS THE FOLLOWING: "IN ESTABLISHING
AND ADJUSTING ANY PRICE BRACKET OR PRICE BRACKETS FOR

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THE PURPOSES OF THIS ARTICLE, THE COUNCIL SHALL TAKE INTO
CONSIDERATION THE PREVAILING LEVEL AND TREND OF COFFEE
PRICES, CONSUMPTION, PRODUCTION, STOCKS IN IMPORTING
AND EXPORTING COUNTRIES, THE TREND OF WORLD INFLATION
AND DEFLATION, THE INFLUENCE ON COFFEE PRICES OF
CHANGES IN THE WORLD MONETARY SYSTEM AND ANY OTHER
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FACTORS WHICH MIGHT AFFECT THE ACHIEVEMENT OF THE
OBJECTIVES SET OUT IN THIS AGREEMENT. THE EXECUTIVE
DIRECTOR SHALL SUPPLY DATA NECESSARY FOR APPROPRIATE
CONSIDERATION OF THE FOREGOING ELEMENTS."

THE SPREAD OF PRICE RANGES AND THE SIZE OF

ADJUSTMENTS TO QUOTAS IN RESPONSE TO PRICE MOVEMENTS

IT WAS RECOGNIZED THAT THESE SHOULD BE DEALT WITH IN RESOLUTIONS RATHER THAN IN TEXTS OF ARTICLES OF THE AGREEMENT. THE CONTACT GROUP DISCUSSED A VARIETY OF SUGGESTIONS ON THIS MATTER WITHOUT REACHING ANY SPECIFIC CONCLUSIONS.

6. DURATION OF THE AGREEMENT

IT WAS AGREED THAT THE AGREEMENT SHOULD HAVE A DURATION OF FIVE YEARS OR OF SIX YEARS. IF THE AGREEMENT WERE TO BE OF SIX YEARS MEMBERS SHOULD INDICATE PRIOR TO THE END OF THE FIRST THREE YEAR PERIOD THEIR INTENTION OF CONTINUING IN THE AGREEMENT FOR THE SECOND THREE YEAR PERIOD. IF THEY FAIL TO INDICATE THEIR INTENTION TO CONTINUE, MEMBERS SHALL BE CONSIDERED TO HAVE WITHDRAWN FROM PARTICIPATION IN THE SECOND PERIOD.

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To: STATE
Type: TE
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